

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

Economic Research Service

U.S. Department
of Agriculture
Washington, D.C.

Volume 2, Number 2

March/April 1984

A Bimonthly Newsletter for Economic Research Service Employees and Colleagues

Recent Publications

STRONG DOLLAR HURTS EXPORTS

...or when what's good for U.S. tourists may be bad for U.S. exports.

As the dollar dropped in value during the 1970's, U.S. farm exports boomed, and idled acreage was returned to production. Then, as the dollar climbed in the early 1980's, the boom ended. U.S. farm exports slumped and Government stocks grew.

ERS Economist Art Morey and Australian Bureau of Agricultural Economics Economist Jim Longmire developed a mathematical model to assess the impact of changes in the inflation-adjusted value of the dollar. Based on that model, they estimated that the strengthening dollar cost the United States more than \$3 billion in export sales of wheat, corn, and soybeans during 1981 and 1982. In volume, that loss amounted to 16 million tons--10 million tons of corn alone.

At least two important conclusions emerge from their study:

- Export promotion and subsidized credit programs to encourage export sales may not be capable of offsetting the negative trade impact of U.S. economic policies that bolster the value of the dollar. Thus, it is important to consider the trade consequences of decisions that may affect the value of the dollar indirectly. For example, tight money policies or large Government deficits can contribute to high interest rates, which in turn affect the value of the dollar.



- A strong dollar tends to shift grain from exports into U.S. stocks unless price supports can be lowered when needed to keep U.S. grain prices competitive. Greater flexibility in setting loan rates would have prevented some of the large stock buildups of 1981 and 1982.

Longmire and Morey's report, Strong Dollar Dampens Demand for U.S. Farm Exports (FAER-182), may be purchased for

Contents

| | |
|-----------------------------------|---|
| Recent Publications | 1 |
| Administrator's Letter | 3 |
| Interagency Cooperation | 4 |
| Staff Notes | 6 |

ERS NEWSLETTER

\$5.00 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The GPO stock number is 001-000-04336-6. You may pay by check payable to SupDocs or charge your order to VISA, MasterCard, or GPO Deposit Account. Charge orders may be called in to GPO's order desk at 202-783-3238.

WHEN ONE COMMUNITY'S GAIN IS ANOTHER'S LOSS

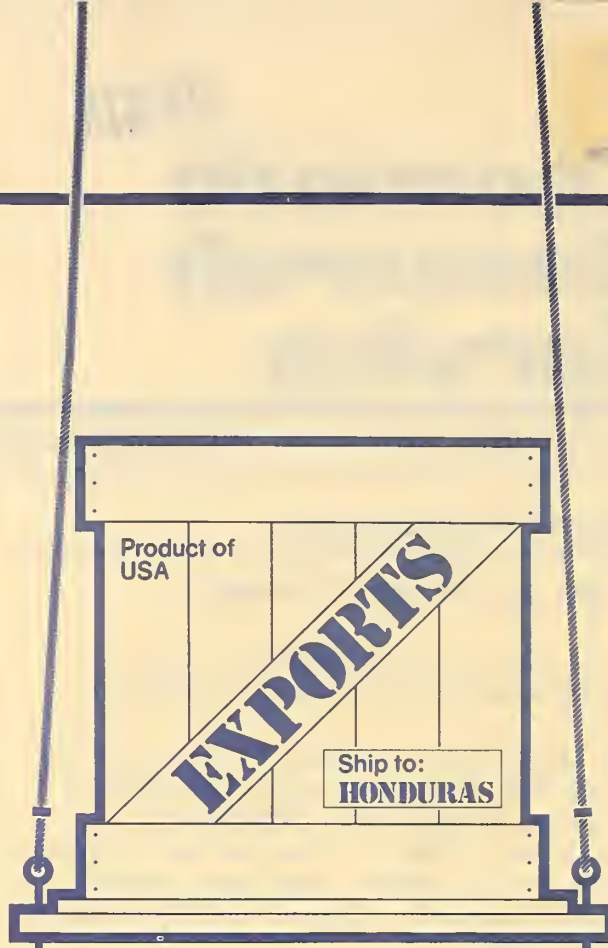
Federal and State incentives to attract business and industry, even if successful in local communities, may only shuffle plants and jobs from one State or area to another, without appreciably expanding the total nationally.

That conclusion, among others, was reported by ERS Economist James Miller in a recently released ERS Staff Report, "Interstate Competition for Business: Changing Roles of Federal and State Initiatives" (PB-84-140375), which may be purchased for \$8.50 (paper) or \$4.50 (microfiche) from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA. 22161. You may pay by check payable to NTIS or charge your order to VISA, MasterCard, American Express, or NTIS Deposit Account. Charge orders may be called in to NTIS's order desk at 703-487-4650.

MARKET PROFILES OF BRAZIL AND HONDURAS

Expanding the markets for U.S. agricultural exports is a major goal of USDA. In support of that goal, ERS, in cooperation with USDA's Foreign Agricultural Service, is preparing export market profiles for several high-potential markets. Profiles on Brazil and Honduras were recently released.

Brazil, one of the top 20 importers of U.S. agricultural commodities, likely will not allow the United States to gain more than a 50 percent share of its



import market through the 1980's. Government policies and increased competition from Canada, the European Community, and some Latin American countries may hamper U.S. efforts to increase its share of Brazil's market.

Honduras, a modest but steady importer of U.S. agricultural commodities, may be purchasing \$75 million of U.S. farm products annually by 1990. That would be up from \$50 million currently. Honduras increased farm imports throughout the 1970's because of population growth. Honduras is the poorest country in Central America, and will likely continue to have slow economic growth and a rising external debt in the 1980's.

Brazil: An Export Market Profile (FAER 197) and Honduras: An Export Market Profile (FAER 196) may be purchased for \$1.50 each from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. You may pay by check payable to SupDocs or charge your order to VISA, MasterCard, or GPO Deposit Account. Charge orders may be called in to GPO's order desk at 202-783-3238.

ADMINISTRATOR'S LETTER

We have made progress in directing our resources to the highest priorities. The quality of our product is also crucial.

Our product:

- Must be consistent with good theory, be logical, and embody competent use of appropriate methods. Data must be relevant, current, and as accurate as possible.
- Must be relevant to important issues and problems. Timeliness is one essential element; an otherwise sound product may be irrelevant if late or ill-timed.
- Should be complete. Partial analyses or a focus on narrow, specific subjects may at times be acceptable. But, we must always ask that the product contain enough information so people will understand and use it properly.
- Must be clear as to the purpose, results, and message. Failing that, all that went before is naught. Clarity of communication, written and oral, is a challenge for us whose training emphasized the theory and technology of our trade, not how to communicate our findings.

We often compromise on quality for reasons we feel are legitimate. Time pressures may be great, data may be inadequate, and the incentive system may appear to reward quantity over quality. Peers, responding to the same pressures, may have little incentive to spend time critiquing the work of others. Moreover, what we have produced may look good enough, given our perception of the profession's standards. In reality, however, those are usually excuses, not reasons, for condoning mediocrity.

ERS does good work and people know it. But that is not good enough for a progressive institution. Thus, we must be sensitive to what constitutes good quality by making sure that inferior products do not make it through the ERS system.

The credibility and usefulness of ERS turn on the good we do. Our every product should reflect well on us. Our goal can be nothing short of excellence. Striving for it will benefit us all.

John Lee

U.S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY
RECEIVED

JUL 23 1984

EXCHANGE UNIT
ACQUISITIONS SECTION

Interagency Cooperation

This section contains brief descriptions of cooperative activities with other USDA agencies. Its purpose is to give the reader a perspective on the role of ERS vis-a-vis the USDA program agencies ERS supports and vis-a-vis other USDA research programs, including physical, biological, and social science. The articles will appear occasionally, and are illustrative rather than exhaustive in coverage.

ERS-AMS COOPERATION

Over a long period, ERS has conducted research requested by USDA's Agricultural Marketing Service (AMS) and has kept AMS aware of ERS work in the marketing area. Last fall, ERS Administrator John Lee and AMS Administrator Vern Highly signed a memorandum of understanding clarifying and detailing that cooperation.

ERS and AMS hold annual meetings to discuss work being done in ERS for AMS and to discuss ongoing ERS research in the marketing area. Staff liaisons keep the agencies in close touch between meetings.

Examples of ongoing work include: a review of analytical techniques for determining consumer preferences for fruits and vegetables according to quality level; a report developing and evaluating alternative levels and structures of Class I, II, and III milk prices throughout the country, and comparing the different impacts on industry structure and performance; and a research symposium on measuring the effectiveness of generic advertising. That symposium will be jointly sponsored by ERS and the Farm Foundation and held in the fall of 1984.

A less formal arrangement has developed between AMS's new Office of Farm Labor Policy and ERS's Economic Development Division (EDD). USDA's responses to proposed immigration

legislation, formerly developed by USDA's General Counsel, are now handled in the Office of Farm Labor Policy. EDD staff routinely do research on farm labor topics, and the General Counsel's office has been using their expertise for some time. That close and frequent consultation will continue.

ERS-ES COOPERATION

USDA's Extension Service (ES) uses ERS publications both as a source of information and for direct distribution to its clients. ES uses information from all ERS divisions. But ERS's Economic Development Division (EDD) has a formal arrangement with ES. In October 1983, ERS Administrator John Lee and ES Administrator Mary Nell Greenwood signed a memorandum of understanding which set two goals. The first is to implement Secretary of Agriculture John Block's objective of "strengthening the State and local government roles in rural development." The second is to foster a closer relationship between ERS as a provider of rural development research and ES as a user and disseminator of it.

ERS and ES established a jointly funded senior staff position. The first person in that job is ES's Robert Lovan, who splits his time between the two agencies.

Lovan is establishing procedures for identifying ES's research needs, particularly in the State and local government area, to ensure that ERS takes those needs into account in its program planning process. He is also developing processes and looking for opportunities to get ERS information out through the ES network. For example, Lovan has arranged for ERS authors to work with State Cooperative Extension Service specialists to rewrite technical publications so they can be used by ES. He is also working with rural development groups plus State and local government officials to improve communications between them, ERS, and ES.

ERS-OICD COOPERATION

USDA's Office of International Cooperation and Development (OICD) coordinates ERS and other USDA technical assistance and training for the U.S. State Department's Agency for International Development (AID), foreign governments, and international organizations.

In recent years, ERS staff have participated in an OICD-coordinated agricultural economics and statistics exchange with China. That exchange has given ERS increased access to information on Chinese agriculture while aiding the Chinese in upgrading their agricultural economics information system.

OICD has organized joint agricultural economic research between Spain and the United States. Additional proposals for research projects with Nigeria and Germany (FRG) are under consideration.

ERS staff participate on USDA's interagency food group (coordinated by OICD) and on various OICD-chaired committees overseeing U.S. dealings with international organizations involved in agriculture, such as the Food and Agriculture Organization of the United Nations, the developed countries' Organization for Economic Cooperation and Development, and the regional economic commissions of the United Nations.

In addition, OICD handles arrangements enabling ERS to provide technical assistance to and through AID. Such assistance has included statistical and economic analysis in Egypt, support for economic analysis for AID's Bureau of Science and Technology, support for AID's African Sahel program, an analysis of longrun food aid needs and links to policy reform in Africa, and staff support for work in Haiti. Those projects give ERS staff opportunities to learn more about and, in some cases, travel to the areas in which they specialize.

ERS-FAS COOPERATION

ERS Administrator John Lee and USDA's Foreign Agricultural Service (FAS) Administrator Richard Smith recently signed a memorandum of understanding that formalizes and broadens the longstanding cooperation between the two agencies. It contains a plan for staff exchanges, joint development of and access to databases, improved cooperation on short term staff analysis and research, and periodic joint review of publications.

ERS and FAS regularly coordinate staff analysis in the international area. A recent example was an issue paper on the U.S.-European Community trade confrontation.

FAS maintains agricultural attaches in U.S. embassies to promote U.S. exports and relies on ERS to study the long term prospects for U.S. agricultural trade. FAS and ERS's International Economics Division (IED) have underway 16 country market profile studies that focus on a group of middle income countries with high potential as markets for U.S. agricultural exports. IED is also analyzing the impacts of export promotion and market development activities on selected overseas markets, and will make those analyses available to FAS.

Through a longstanding arrangement, FAS agricultural attaches supply information that ERS uses to analyze the world agricultural situation and short term outlook. FAS also supplies ERS with data on the production and use of agricultural commodities for most countries. ERS and FAS jointly produce quarterly forecasts of U.S. agricultural exports, world crop reports, plus world supply and demand estimates.

ERS-OECD COOPERATION

With the help of ERS Economists Barbara Chattin and Stephen Magiera, the Organization for Economic Cooperation and Development (OECD) is studying the links between internal policies and trade in the OECD countries and how levels of agricultural trade protectionism can be reduced.



ERS RADIO AND TV NEWS

Publications are not the only means of getting ERS products to users. In fact, many more hear ERS research results than read them. ERS's TV news service provides monthly features to more than 300 television stations across the Nation. Recent features have included reports on superfarms, high-value exports, American agriculture through the rest of this decade, the PIK program, the economic impacts of coal mining on rural America, women in farming, and blacks in agriculture.

In addition to the monthly TV news package, ERS reporters conduct interviews and produce features for two USDA-sponsored TV programs: "A Better Way," and "Down To Earth." Those programs are regularly aired on 200 stations nationwide.

ERS's radio news service reaches the agricultural community daily via USDA's telephone call-in system which allows each station to record stories for later use. Tapes of feature stories are mailed to approximately 2,000 radio stations each week.

Staff Notes

BOYD BUXTON--ERS'S MILK MARKETING EXPERT

No wonder the media will beat a path to ERS Economist Boyd Buxton's door when going after a story on milk marketing. He is an acknowledged expert in the area, is often quoted, and his work often cited.

Buxton heads an ERS project at the University of Minnesota on the economics of milk processing and marketing. He has recently been comparing the returns to investment in milk production among U.S. regions. Significant results from that work are described in the next article, "Milk Spills Out of Lake States."

Among his many past achievements is an award-winning team research study he led on the impact of dairy imports on the U.S. dairy industry. That study was mandated by Congress and completed in 1974.

Buxton has a B.S. from Brigham Young University, an M.S. from Washington State University, and a Ph.D. from the University of Minnesota, all in agricultural economics. He has been with ERS for 20 years.

MILK SPILLS OUT OF LAKE STATES

Milk production expanded more in the West, Southwest, and East than in Wisconsin and Minnesota during the 1970's.

ERS Economist Boyd Buxton has studied that change and its significance. He found that the rate of return to investment in dairying favors large dry-lot dairies with herds of 1,000 to 2,000 cows (common in Florida, New Mexico, Arizona, and California) over the smaller and more intensively capitalized dairies in Minnesota.

That and other findings are detailed in a forthcoming Agricultural Economics Report. Watch ERS Abstracts for an



ERS Economist Boyd Buxton

announcement of its availability from the U.S. Government Printing Office.

NEW WISCONSIN/ERS JOINT PROJECT

ERS Economist Linda Ghelfi has been transferred to Madison, Wisconsin, to conduct a 3-year research project on poverty and the personal income distribution of residents in nonmetropolitan areas. She is working with William Saupe (University of Wisconsin), who has been a long-time cooperator with ERS's Economic Development Division on human resources research. The initial work that Ghelfi is undertaking will culminate in a report on the income and poverty status of the nonmetropolitan black population and a report on the farm poor.

LATIN AMERICA BRANCH CHIEF RETIRES

Oswald Blaich has retired after 24 years of Government service. Blaich served the Department of Agriculture in several capacities, most recently as Chief, Latin America Branch,

International Economics Division, ERS. He is embarking on another professional career with a leading consulting firm in Washington. He has assumed the responsibility to manage that company's AID-funded project to analyze agricultural policies in selected developing countries around the world.

To add your name to the mailing list for this free Newsletter, or to change your address, please send your name and current address to ERS Newsletter, ERS/USDA, Room 450-GHI, Washington, D.C. 20250-1800.

Please share this Newsletter with your colleagues.

ERS ABSTRACTS--A FREE SERVICE

Are you on the mailing list to receive ERS Abstracts? Issued several times a year, it keeps you abreast of newly released ERS publications, and how to order them. Send your name, institutional affiliation (if any), and address to ERS Abstracts, EMS/USDA, Room 4309-South, Washington, D.C. 20250-3500.

